

Summary Report

TRANSFORMING THE PUBLIC SERVICE:
PROGRESS MADE AND THE WORK AHEAD

A REPORT IN A SERIES OF CONVERSATIONS ON PUBLIC SERVICE

2004



National Commission
on the Public Service
Implementation Initiative

OFFICERS OF THE NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

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ON PUBLIC SERVICE**

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

**NATIONAL COMMISSION ON THE
PUBLIC SERVICE IMPLEMENTATION INITIATIVE**

SUMMARY REPORT

2004



The views expressed in this document are those of the participants in the February 18, 2004 forum. They do not necessarily reflect the views of the National Commission on the Public Service or the National Academy of Public Administration.



FOREWORD

The federal public service has undergone a major transformation since the National Commission on the Public Service convened in February 2002. The change has been greater than any in the 25 years since the Civil Service Act of 1978 was enacted, and in many respects greater than in the 50 years since the federal pay and classification systems were established. Congress and the Executive Branch have now taken significant steps to modernize the management of the federal workforce to meet the increasingly critical demands on government in the 21st Century.

As with any significant change affecting large numbers of people, the process of creating and implementing the elements of this transformation has been difficult. To assess progress to date and the challenges ahead, the National Commission on the Public Service Implementation Initiative and the National Academy of Public Administration co-hosted a conference with policy implementers and others interested in the transformation of federal human resource management.¹

The participation of key policy makers and implementers and other leaders in this arena gave evidence to the importance of the transformation underway. We were fortunate to have Leon Panetta and Fred Thompson join us in co-hosting the conference.

The National Academy of Public Administration is a congressionally chartered non-profit organization that advises government leaders on improving governance and public sector management. The National Commission on the Public Service Implementation Initiative is dedicated to the furtherance of the goals and recommendations of the National Commission on the Public Service.² The Academy and the Commission Implementation Initiative have been working together since July 2003 on public service issues of common concern.



C. MORGAN KINGHORN
PRESIDENT, NATIONAL ACADEMY OF
PUBLIC ADMINISTRATION



PAUL A. VOLCKER
CHAIRMAN, NATIONAL COMMISSION ON
THE PUBLIC SERVICE

¹The conference program is included as Appendix 1.

²*Urgent Business for America: Revitalizing the Federal Government for the 21st Century*, Final Report of the National Commission on the Public Service, The Brookings Institution, Center for Public Service, Washington, January 2003. Available in pdf at www.napawash.org.

EXECUTIVE SUMMARY

As much as this forum will look back on what has taken place, it also will look forward to the road ahead and the crucial steps of implementation. This is where the 'rubber meets the road' and where promise can become reality.

*C. Morgan Kinghorn
President, National Academy of Public Administration*

Leading off the conference discussion, Academy President C. Morgan Kinghorn observed: "As much as this forum will look back on what has taken place, it also will look forward to the road ahead and the crucial steps of implementation. This is where the 'rubber meets the road' and where promise can become reality."

Commission Chairman and conference moderator Paul A. Volcker noted the challenge of bringing about change, but expressed the view that "events have conspired to make the federal government more innovative." With major personnel reform initiatives underway at the Department of Homeland Security and Department of Defense, he said, "there is an unusual and unexpected opportunity in terms of civil service reorganization."

Leon Panetta, former White House Chief of Staff and OMB Director, said that the prime question is whether the government can be as responsive as it

needs to be to the challenges of the 21st Century, such as terrorism, economic changes, and the pressures from deficits and baby boom generation retirements. In addition, Panetta expressed concern about polls showing lack of trust in government and lack of interest among youth for entering public service. "It will take bold action to make government more responsible and to make it operate efficiently and effectively," he said.

Fred Thompson, former U.S. Senator and Chairman of the Senate Governmental Affairs Committee, noted that in focusing on management reforms in recent years, Congress had developed a new appreciation for personnel policy reform issues. This includes the quality of the people who are attracted to be part of the federal workforce and the quality of the government's personnel management. The government has made progress in its information technology and financial systems, but the "challenge now is how to motivate people

It seems all roads lead back to the issue of people.

*Fred Thompson
Former U.S. Senator and Chairman, Senate Governmental
Affairs Committee*

and achieve discipline” in personnel systems. “It seems all roads lead back to the issue of people.”

The conference hosts—whose very presence spoke to the importance of the transformation underway for the present and future of the public service—enthusiastically greeted an overflow audience.

Panelists agreed that a significant transformation of the public service was underway and that its success will depend on how these changes are implemented in the months and years ahead.

While there were differences over the specifics of implementing more flexible personnel systems at the Department of Defense (DoD) and the Department of Homeland Security (DHS), participants emphasized the value of the cornerstone principles of the civil service system: merit, equal employment opportunity, due process, veterans’ preference, and fairness—including protections against reprisal, discrimination, and other prohibited practices.

Looking ahead, participants identified some major issue areas requiring careful consideration if

implementation efforts are to deliver their intended results:

- coherence in the implementation effort, including oversight of individual agency efforts and agreeing on a government-wide framework
- support for long-term implementation, which requires continuing commitment to the change process from the White House, Congress, and non-governmental organizations
- sufficient funds to reward employees for good and outstanding performance
- effective change management, which means a substantial investment in training and selecting supervisors with skills for setting and enforcing performance goals

Through all the challenges and issues raised, the conference’s discussions demonstrated that an important corner had been turned in efforts to reshape federal personnel systems. This progress led to guarded optimism by many that these reforms would enhance government performance, the attractiveness of public service, and restore citizens’ trust in government.

BACKGROUND

There is something in the air that tells me the time is ripe for reform.

Paul A. Volcker, former Chairman of the Federal Reserve Board, announcing the convening of the second National Commission on the Public Service, February 2002.

Since the dawn of the new millennium, a focus on public service and human capital management has emerged as a cornerstone of efforts to make the federal government more responsive and results-oriented. Some of the milestones on this road include:

- In 2000, Members of the U.S. Senate Governmental Affairs Committee issued a series of reports on manpower and management challenges facing the next presidential administration.
- The General Accounting Office (GAO) designated the federal government's management of human resources a "High Risk Area" in 2001.³
- In 2002, GAO suggested a model for strategic human capital management to be used by federal agencies.⁴
- In February 2002, the National Commission on the Public Service convened with the goal of addressing "the crisis in the federal public service." After one year of study and public hearings, the Commission issued recommendations calling for "sweeping changes" in this arena, pointed to key indicators of serious trouble ahead: young Americans are shying away from public service, the

civil service system thwarts personal development and creativity, and the most talented people leave too early and the least talented stay too long.⁵

- The President signed legislation to create DHS in November 2002, which was given authority to work with the Office of Personnel Management (OPM) to create a personnel system fitting its responsibilities.
- In November 2003, DoD was granted broad flexibility to adopt a National Security Personnel System, also in consultation with OPM.

Paul Volcker described these and as many other changes that are transforming the federal public service in a pre-conference message to conference participants. His message, which is reprinted as Appendix 2, also outlined the 2003 recommendations of the Commission and steps the Commission has taken to inform the debate on public service reform.

The shift in thinking, from managing employees in a traditional sense to strategically managing the federal workforce, involves more than a simple change in procedures or policies. Instead, the GAO model describes a paradigm shift where people become "an important enabler of agency performance" instead

³U.S. General Accounting Office, *High Risk Series*, GAO-01-263, January 2001. Accessible at <http://www.gao.gov/new.items/d01263.pdf>.

⁴U.S. General Accounting Office, Exposure Draft, *A Model Of Strategic Human Capital Management*, GAO-02-373SP, March 2002. Accessible at <http://www.gao.gov/new.items/d02373sp.pdf>.

⁵*Urgent Business for America: Revitalizing the Federal Government for the 21st Century*, Final Report of the National Commission on the Public Service, The Brookings Institution, Center for Public Service, Washington, January 2003. Available in pdf at www.napawash.org.

of being viewed as a cost item, and human capital management serves “as the cornerstone of any serious change management initiative.”⁶

Together, current reforms hope to make the federal service more attractive to workers with the skills required to deliver the more complex and varied services demanded in the 21st Century, as well as to create an environment of performance for results. The approaches being followed to achieve these goals include:

- aligning pay and job descriptions to today's labor markets
- replacing the 15-grade General Schedule pay and classification system, which results in advancement based primarily on longevity, with broader pay bands and advancement opportunities based on performance
- adopting best practices of personnel management in private industry
- improving recruitment outreach
- rewarding performance

THE MAKEOVER OF PERSONNEL SYSTEMS: THE DOD AND DHS EXPERIENCES

Public policy creation occurs in the spotlight, implementation occurs in the trenches—unless someone makes a mistake.

*Robert Tobias
Director, Institute for the Study of Policy Implementation, American University
Fellow, National Academy of Public Administration*

In opening the panel discussion on policy implementation, Robert Tobias, Academy Fellow and Director of the Institute for the Study of Policy Implementation at American University noted: “Public policy creation occurs in the spotlight, implementation occurs in the trenches—unless someone makes a mistake.” He emphasized that strong vision, a cohesive plan and a rationale for change are critical to the implementation process. And he cautioned that “delivering efficient and effective government services is not the stuff of ‘Hardball’—it’s the stuff of hard work.”

The two largest departments undertaking development of personnel systems tailored to new 21st Century mission requirements are DoD and DHS. Together they employ nearly one million civilian workers. Panelists underscored the difficulties and opportunities involved in modifying the half-century-old civil service systems—both from a government-wide perspective and the experience to date at DoD and DHS.

⁶GAO-02-373SP, op. cit., pp. 4,10.

The Administration Perspective

We must ensure that the change process is inclusive, deliberate, mission-oriented, timely, fair, credible and transparent.

*Kay Coles James
Director, U.S. Office of Personnel
Management (OPM)*

OPM Director Kay Coles James provided an overview of the federal personnel system transition underway.

Describing herself as “the person responsible for making all this happen,” James noted that the public service transformation underway was “not Republican or Democrat, but good government.”

Acknowledging the magnitude and difficulty of the effort underway, she said OPM can use “all the help we can get.” The role of her office is to ensure that the change process is “inclusive, deliberate, mission-oriented, timely, fair, credible and transparent.” While the civil service system has features that are “outmoded, outdated, and irrelevant,” she said, the basic merit principles of the system must be preserved.

Among the initiatives for which OPM is providing collaboration and oversight are those involving the redesign and creation, respectively, of personnel systems at DoD and DHS.

The DoD Process. The National Security Personnel System (NSPS), authorized as part of the 2004 Defense Authorization Act, provided DoD

with the flexibility to design new personnel systems. These flexibilities included the authority to adopt a broad-band pay system, performance-based pay, and simplification of the employee appeals process. At the time of the conference, preliminary plans for the new system had been announced.

At the conference, Academy Fellow Dr. David Chu, Chief Human Capital Officer and Under Secretary of Defense for Manpower and Personnel Readiness, emphasized the desire of the Department to make DoD civilian positions as sought after as are those on the military side of DoD. Chu said that, in designing the NSPS, they are drawing on lessons learned from the Department’s earlier pilot personnel system changes. Some of these lessons are:

- Although employees initially might be skeptical of change, their outlook improved over several years and led to new productivity.
- Supervisor training in managing for performance and addressing employee concerns is very important.
- Employees need to understand that rewards will differ by performance. In this regard, the changes in the rules for the Senior Executive Service (away from automatic raises driven mostly by tenure) are “a very powerful step” in establishing this principle.
- Creating a culture change from tenure-based to merit-based rewards and advancement is a huge undertaking.
- Changing to a performance-based personnel system takes time and is comparable in scope and difficulty to the military shifting from conscription to an all-volunteer system.

DoD views the NSPS plan “not as a prescription, but rather an architect’s sketch of what the house will look like,” Chu explained. The design is intended to allow the various DoD components to apply them to their individual situations. This is particularly true for the pay-for-performance and wage provisions, he said.

Chu noted that Secretary of the Navy Gordon England, the point person for the DoD transformation effort who had earlier assisted with the personnel transformation at DHS, would be meeting with DoD employee unions to work further through the details of the proposed NSPS. He added that in retrospect he believed DoD should have found a different consultation process and that the Department would do so now.⁷

The DHS Process. One challenge at DHS has been to shift 180,000 people from more than 22 agencies to DHS and consolidate, integrate and upgrade 22 different human resources systems, 8 different payroll systems, 19 financial management centers, and 13 procurement systems—just to assure that employees would be paid.⁸

DHS then took nearly a year to develop plans with OPM, including formal and informal consultation with employees, their representatives, and experts from the public and private sectors. Part of this process was required by the DHS authorizing legislation and part took place at the initiative of the involved parties. The preliminary regulations, which were announced just before the conference and formally published just after, included three main changes to the current General Schedule pay structure:

- open pay ranges eliminating the current step increases which are tied to longevity
- adjustment of pay by job type in each market instead of one adjustment for all job types in each market
- performance pay pools for giving increased pay to employees who meet performance expectations⁹

Extensive employee involvement¹⁰ produced “fundamental disagreements,” but it significantly influenced the end product.

Vice Admiral Thad W. Allen, Academy Fellow and Chief of Staff for the U.S. Coast Guard (which is now part of DHS) told the conference that, given DHS’s critical mission, the challenge is to convert to performance pay and preserve collective bargaining “while meeting operational needs.”

The Employee Union Perspective

The federal employee is not afraid of change if the change is fair and the changes are made clear.

*Colleen Kelley
National President, National Treasury
Employees Union (NTEU)*

Colleen Kelley, National President of the National Treasury Employees Union (NTEU), emphasized the importance of labor being “fully engaged in any planned changes in the workplace” and for the changes to be credible and transparent. From her own experience and the employee perspective,

⁷Subsequent to the conference, Secretary England announced that DoD would extend the period for the design and implementation of the NSPS over several years and that it would work closely with OPM and the affected workforce in that process.

⁸DHS Secretary Tom Ridge, in prepared remarks to the Harvard Business School, February 11, 2004.

⁹DHS Deputy Secretary Admiral James M. Loy, in testimony to the Senate Governmental Affairs Committee, February 25, 2004.

¹⁰In testimony at the Senate Governmental Affairs Committee hearing on February 25, 2004, James said that over the last ten months the joint DHS/OPM design team talked with more than 2,500 DHS employees and managers in town hall meetings and focus groups across the country, consulted with dozens of companies and experts to identify promising and successful models from the private sector, state and local government, and other federal agencies, worked closely and collaboratively with the presidents and key staff members of the Department’s major unions, and included on the team supervisors and front-line employees from the Department’s major components, as well as local union officials.

Kelley contrasted the experiences with personnel system transformations at the Internal Revenue Service (IRS), DHS and DoD.

At the IRS, communication was key and NTEU was engaged as a “full participant from the beginning,” as provided in the 1998 IRS reform legislation. Kelley noted that because of problems resulting from “managers not being properly trained,” she would favor extending the IRS’ limited pay-for-performance system to managers as well as senior executives.

At DoD, by contrast, union leaders felt that they had been given no opportunity for input in the initial design of the NSPS. “We feel as if it is being done to us, instead of with us... The federal employee is not afraid of change if the change is fair and the changes are made clear,” Kelley said. “We want it to be fair, credible, and transparent to all.”

At DHS, the union role has been “wanted, acknowledged, and respected.” This began with Congress requiring employee involvement in creating the new Department’s personnel system. She described the DHS town hall meetings as a major step. The message from the employees at these meetings was clear, however: fix, but do not do away with the Civil Service system.

“Moving to pay bands is going totally in the opposite direction,” Kelley said, calling for greater recognition of employee concerns in the detailed development of the plan.

Finally, Kelley emphasized the value of flexibility in implementation plans.

The Private Sector Perspective— Change Management is Key

The federal government is seeking to adopt or learn from human resource management “best practices” in the private sector. “There are no ‘pull down menus’”—as one conference participant put it. In fact, reports from the private sector suggest that organizational change toward performance often fails to achieve the promised benefits.

Susan R. Pearson, Managing Partner for Workforce Transformation at Accenture, described some of the lessons learned from organizational change initiatives in private corporations. “Management failures are the leading reason given for the benefits of organizational change initiatives being substantially delayed and/or negated,” she said. The managerial flaws include lack of buy-in—particularly from the implementers—that change is necessary, inexperience with change management, and the absence of a senior management champion for change.

Too often, Pearson said, organizational change is designed without the presence of the implementers, those who carry out human resource activities. In contrast with the traditional transaction emphasis in the human resource function (recruit, screen, hire, record, and process out), more companies are recognizing the need to involve human resource personnel in leadership and policy decisions. In the future, Pearson predicted, much more time will be spent on performance enhancement pursuant to a strategy to align human resource activities and programs with the mission of the organization.

In organizations where organizational change faltered in the policy creation stage, implementation is too little and too late, and most of the energies are consumed at the front end. In such cases, “companies get as little as 20 percent of the promised payoff after having completed 80 percent of the work. The remaining 80 percent of the benefit comes from dealing with people issues.” Too much effort is spent devising the perfect plan, according to Pearson. The motto should be: “Don’t worry about getting it perfect, get it moving,” Pearson said.

Successful organizational change managers, Pearson said, should do the following:

- bring implementation forward in time
- identify the critical circumstances that shape the change strategy
- manage the change process as an enterprise
- overestimate the need for leadership and HR support

THE AGENDA AHEAD—MAINTAINING MOMENTUM

The panelists and commentators focused on three objectives perceived as important to implementing the future agenda of personnel management reform:

- coherence in the implementation effort
- support for long-term implementation
- management of the change process

Panelists expressed differences regarding the most effective strategies to achieve these objectives. But on the necessity of carrying forward the makeover of federal human capital management, there was one message: it must be done if the federal government is to meet expectations of the public service in the 21st Century.

Coherence in the Implementation Effort

Congress should mandate a government-wide policy to provide accountability and protect employee rights, while at the same time allowing individual agency operating flexibilities.

*Paul A. Volcker
Chairman, National Commission on
the Public Service
Fellow, National Academy
of Public Administration*

Now that more than 50 percent of the federal workforce is undergoing or facing likely changes in personnel policy, some panelists questioned whether these changes could be carried out

successfully agency-by-agency without a government-wide approach to personnel reform. Max Stier, President and CEO of the Partnership for Public Service, set the stage for this discussion with the challenge: "Leave no agency behind." (See "Six Propositions for a Future Agenda of Reform," box at the end of the report).

Christopher Mihm, Managing Director of Strategic Issues at GAO, expressed the judgment that if personnel reforms are successful for the military and DHS, the template could be useful for other agencies. "If it's good enough to two of the largest, it ought to be good enough for everybody else," he noted. In support of continued transformation, he observed that agencies are beginning to make the case that performance can be improved with personnel policy reform.

Kelley, on the other hand, felt strongly that decentralized and unfocused reforms are more likely to endanger workers' rights. She emphasized that if reforms are not standardized by Congress, workers who are affected will be left out of the know about the systems and practices under which they will be working.

Further stressing the "downside" to the agency-by-agency approach, Panetta asked, "How are you going to put this all back together?" If every agency and department establishes its own system, "I don't think it's in the best interest of the civil service. Somebody needs to set the parameters of where we are trying to go." Panetta expressed concern that now each agency will go to Congress to "cut its own deal."

From his perspective of having helped design the transformation for IRS and DHS, Thompson observed: "Politically it is very difficult to get a

government-wide solution. What does it take to get additional management flexibility? Well...do a bad job." He also noted that the "advantage of an agency-by-agency approach in adopting new systems is that if one gets into trouble in a particular situation, it doesn't affect the others."

Chu also saw strength in variation, noting that there is already considerable diversity in civil service today, notably at DoD.

Several solutions were proposed to resolve this dichotomy of views and concerns:

Volcker, both a strong supporter of individual agency flexibility as well as preserving "a coherence" in the federal public service, noted that agencies had been moving ahead with "a lot of ad hoc changes." He recommended that Congress mandate a government-wide policy to provide accountability and protect employee rights, while at the same time allowing individual agency operating flexibilities.

Others recommended that lessons learned from the agencies that have undergone personnel system changes should be carefully applied to improve the processes in agencies that undergo transformation at a later date.

To be sure that agencies can make use of the flexibilities that are already provided by federal personnel law, it was recommended that capacity for change be built into the agencies that do not have newly transformed personnel systems.

Support for Long-Term Implementation: Building Trust in Government

Several panelists emphasized that changing personnel systems will take time. “It’s going to require a sustained effort for a considerable period of time,” Thompson stressed.

Continuity in leadership commitment was therefore stressed as essential if performance-based personnel systems are to avoid the fate of simply being “the program of the day.” Panelists noted the importance of strong political leadership in affecting these changes. Consistent leadership must come not just from those in power, but also from public service organizations, said James. She appealed for organizations such as those represented at the conference to “weigh in” when personnel issues and funding decisions surface on the congressional agenda.

Gaining public understanding and support for the changes underway was seen as essential for restoring trust in government. James suggested that effective implementation of personnel reforms is one important way to create changes in public assumptions about government.

Volcker emphasized stronger congressional oversight of the reform process. To increase the effectiveness of congressional oversight, he advocated realignment of congressional committees along the lines of government missions. Panetta agreed that, with 160 subcommittees, the Congress is “not very good at oversight.” Instead, Panetta

emphasized that leadership support for change had to come from the White House, because Congress focuses mainly on “dollars, rather than outcomes.”

Attracting young people to public service also emerged as an important concern for long-term implementation. A current Presidential Management Intern¹¹ said that the current federal culture does not encourage change. With the highest authorities being political appointees and rewards being tied to high grade levels, she said, “PMIs are stuck at a level where they don’t have a voice for change.”¹² Some panelists acknowledged that the system “undermines the incentive to move up” and that recruiters need to convey the message that “government is someplace where you can go and make a difference.” Concern was also expressed for better utilization of older workers now dominating the federal workforce.¹³

The Work Ahead

There was general agreement among the participants that transformation of the federal civil service will continue. The questions addressed were: how fast, how broadly and how uniformly?

Volcker stressed the need for non-partisanship and for inclusion of the following measures in managing the change process:

- reducing the large layer of junior political appointees (who fall in between political agency leaders and top career civil service managers) to put program managers closer to policy leaders¹⁴

¹¹The Administration is revising the PMI program, which has been renamed the Presidential Management Fellows Program, to include mid-career fellows.

¹²In conveying the August 2001 report to Congress on the PMI program, the Merit Systems Protection Board chairman noted that the percentage of PMIs who stayed in the federal service is slightly lower than the percentage of comparable non-PMIs who stayed. “This is somewhat surprising, because the PMI assessment process identifies candidates with interest in and commitment to public service, and non-PMIs generally are not assessed for that characteristic. On the other hand, people enter federal employment for different reasons and with different expectations. It is likely that many PMIs are attracted to the program because of the anticipated fast track to management. It is conceivable that if the expected assignments, training, or advancement do not materialize, the appeal of staying in government may fade. USMSPB, *Growing Leaders: The Presidential Management Intern Program*, August 2001.

¹³The average age of the workforce has increased from 42 in 1988 to 45.6 in 2003. See *Government Executive*, “The State of the Public Service,” special report, February 2004, p. 26.

¹⁴Panetta noted that the number of political employees has increased over the years. The Commission report (p. 18) said that the political appointments to top level offices had grown from 286 positions when President Kennedy came into office in 1960 to 914 by the end of the Clinton Administration. Overall, President George W. Bush had 3,361 political positions to fill when he took office.

- forging an appropriate oversight role for OMB and OPM to guide individual agency personnel management and reform efforts
- streamlining the political appointment process and addressing pay disparities between public and private sector executives
- adopting a government-wide legislative framework for reform so that the unique status of the federal public service may be retained

In terms of lessons learned from personnel reorganizations underway, the panelists placed particular emphasis on several factors.

- “Employee engagement is incredibly important,” said Stier.
- Align individual performance measures with agency performance goals (this is a requirement under the proposed DHS regulations), cautioned Mihm.

- Develop metrics for individual performance. While the Coast Guard has outcome measures, such as reducing oil spills, it has not yet developed outcome metrics for individual performance, said Allen.
- Stier noted, “We’re not really good at measuring performance. We need to clarify the expectations of performance.”
- Agency personnel authority must be consistent with program responsibility, according to Tobias.
- There must be buy-in to change at all levels, all agreed.
- Several panelists emphasized the importance of training. Given the expected wave of retirements among the older and managerial ranks of the workforce, panelists emphasized that supervisor training is crucial.

THE PROGNOSIS FOR CHANGE—POSITIVE SIGNALS

We all have a common goal: to ensure good people are attracted to the public service.

*Leon Panetta
Chairman, The Leon and Sylvia Panetta
Institute for Public Policy*

Despite the range of challenges and issues raised at the conference, guarded optimism was evident among the presenters:

“With all the difficulties, we are well on the way,” said Thompson.

“Much more needs to be done, but there has also been enormous improvement,” emphasized Kinghorn.

Mihm stated: “In the past there was no change unless an organization was in crisis... Now, increasingly, the dialogue is ‘we can do better.’ That’s a very important change in the conversation.”

“Events have conspired to produce an unusual and unexpected opportunity in terms of civil service reorganization,” said Volcker.

Panetta added: “We all have a common goal to ensure good people are attracted to the public service.”



“The system must be transformed. The process is how we get there. It’s difficult. If it was easy, someone else would have done it...In an environment in which you don’t have time to build [all the elements for success], it takes faith,” said Kay Coles James.

The conference achieved its purpose of focusing attention on what is required for successful implementation of the legislation already enacted and to keep the transformation process moving and evolving. The outcome depends on many stakeholders—agency managers, Congress, Administration leadership, employees and their representatives, and the public.

SIX PROPOSITIONS FOR A FUTURE AGENDA OF REFORM

1. No agency should be left behind. (Half the federal workforce will be getting a new system and that is the half that is in the political limelight. We need to make sure that the rest of government receives attention, too, though that doesn’t necessarily mean the same changes.)
2. In addition to legislation, Congress plays key oversight and funding roles. (The former is very important in a time of seismic changes and successful change will require significant investments in the short-term).
3. What gets measured gets changed. (The government environment is shy on useful metrics that can judge the effectiveness of the changes that are taking place and help orient future efforts.)
4. Employee engagement is a necessary ingredient to success. (If employees don’t believe in the new systems, they simply won’t work)
5. Two problems are near-term priorities: Leadership/management capacity and the hiring process.
6. We need to build a robust public constituency for the civil service. (The public constituency that exists for the military offers a good model).

As outlined by Max Stier, Partnership for Public Service

APPENDIX 1—CONFERENCE PROGRAM AND PRESENTERS

Transforming the Public Service: Progress Made and the Work Ahead

Conference Sponsors

National Academy of Public Administration
National Commission on the Public Service
Implementation Initiative

Conference Co-Hosts

Leon Panetta, Chairman, The Leon and Sylvia
Panetta Institute for Public Policy
Fred Thompson, former Chairman, Senate
Governmental Affairs Committee

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Conference Program

8:45 Greetings and Program Opening

Call to order: Timothy B. Clark, Editor and
President, *Government Executive*

Welcome: C. Morgan Kinghorn, President, National
Academy of Public Administration

Overview: Paul Volcker, Chairman, National
Commission on the Public Service

Presentation and Discussion:

Leon Panetta, Chairman, The Leon and Sylvia
Panetta Institute for Public Policy

Fred Thompson, former Chairman, Senate
Governmental Affairs Committee

Joined by Kay Coles James, Director, Office of
Personnel Management

9:20 Panel I: The Critical Role of Implementation

Moderator: Robert Tobias, Director, Institute for the
Study of Policy Implementation, American University

Panelists

Dr. David Chu, Undersecretary of Defense for
Personnel and Readiness and Chief Human
Capital Officer

Colleen Kelley, National President, National
Treasury Employees Union

Dr. Susan Pearson, Managing Partner, Workforce
Transformation, Accenture

10:30 – 10:50 Break

10:55 Introduction of Director of Office of
Personnel Management by C. Morgan Kinghorn

11:00 **The Agenda Ahead:** Remarks by Kay
Coles James, Director, OPM

11:15 Panel II: The Agenda Ahead

Moderator: Christopher Mihm, Managing Director
for Strategic Issues, U.S. General Accounting Office

Panelists

Vice Admiral Thad W. Allen, Chief of Staff, U.S.
Coast Guard

Max Stier, President and CEO, Partnership for
Public Service

12:20 pm **Conclusions and Call to Action:**
Paul Volcker, Leon Panetta and Fred Thompson

APPENDIX 2—PAUL A. VOLCKER'S PRE-CONFERENCE MESSAGE TO PARTICIPANTS

February 13, 2004

Dear Conference Participants:

In anticipation of the upcoming conference on **Transforming the Public Service: Progress Made & the Work Ahead**, here is a summary of recent efforts toward reform with particular attention to recommendations of the National Commission on the Public Service. I hope you find it useful as background for a lively and constructive conference discussion to help advance the common cause of public service transformation. I greatly appreciate your participation.

Paul A. Volcker

A. Leading Recommendations of the National Commission on the Public Service

THE ORGANIZATION OF GOVERNMENT

- Organize government around mission-centered departments
- Apply flexibility and modern management skills to the operating agencies within each executive department
- Enact expedited authority for the consideration of reorganization plans
- Align House and Senate Committee structures with the mission-driven organization of the executive branch

LEADERSHIP FOR GOVERNMENT

- Speed and streamline the presidential appointments process
- Reduce the number of executive branch political positions
- Divide the Senior Executive Service into a management and a professional and technical corps

- Modify "ethics" regulations imposed on federal employees where there is no demonstrated public benefit
- Provide a significant increase in judicial, executive and legislative salaries to ensure a reasonable relationship to other professional opportunities
- Break the statutory link between the salaries of members of Congress and other government personnel

OPERATIONAL EFFECTIVENESS IN GOVERNMENT

- Develop more flexible personnel management systems for government agencies
- Continue efforts to improve recruitment of federal employees
- Set employee compensation based on current market comparisons
- Establish and follow clear standards and goals in competitive sourcing that advance the public interest and do not undermine core competencies of the government

B. Overview of Progress to Date on Implementation of the Commission's Recommendations

THE ORGANIZATION OF GOVERNMENT

The Department of Homeland Security's authorization was developed concurrently with the Commission's work. It is the type of reorganization the Commission envisioned in calling for a limited number of mission-oriented departments, with strong central policy leadership, and operating agencies with management and personnel flexibilities. Imminently, the Department and the Office of Personnel Management will issue proposed regulations to establish pay, performance management, classification, labor relations and adverse action systems for the Department.

The same is true for the new authorities granted the Department of Defense and for the defense management and operational reorganizations being conducted by the Secretary. Early last summer, Paul Volcker joined Secretary Donald Rumsfeld at a press conference to argue the case for greater personnel flexibilities. A Commission representative later testified before the Senate Governmental Affairs Committee in support of the legislation introduced by Senators Susan Collins and Carl Levin and later incorporated in part in the new DoD personnel authorization. These new flexibilities authorize DoD to institute a human resources management system that is "flexible and contemporary" and which may include features such as a broadband pay system, compensation based on performance, and simplification of the employee appeals process.

The Commission also testified in support of granting the General Accounting Office the authority to move to the next level of instituting its pay for performance system. This legislation passed both Houses and is awaiting final Congressional approval.

House Government Reform Chairman Tom Davis opened his Committee's 108th Congress agenda with a hearing on the Commission Report. Chairman Paul Volcker, former Secretary of Health and Human Services Donna Shalala, and former Secretary of Health Education and Welfare and Defense Frank Carlucci, testified on behalf of the Commission. A subsequent hearing specifically focused on the recommendation that Presidential Reorganization Authority be renewed. Committee Chairman Tom Davis and Nancy Dorn, Deputy Director of OMB, representing the Bush Administration, endorsed such legislation. Chairman Davis has stated that he will introduce legislation to accomplish this early this year.

As recommended by the Commission, the House of Representatives has looked at its own structure in light of the Homeland Security reorganization. It created an ad hoc Committee on Homeland Security and the House leadership has indicated that it will make that committee permanent in the next Congress. In support of this goal, David Walker, Comptroller General, testified this fall that Congress could be more efficient and effective in its work if it would realign its committee structure.

LEADERSHIP FOR GOVERNMENT

The President proposed that judicial salaries be substantially increased by approximately 25 percent. The Senate included a provision to increase judicial

salaries by this amount in an appropriation bill last fall, but it was not included in the final conference report because of an objection from the House. This legislation will be offered again in 2004. Congress did provide a 4.1 percent pay increase for civilian employees and the military.

The pay cap impacting the top four levels of the Senior Executive Service was lifted, a single band replaced the SES pay grades, and a performance-based pay system was authorized for the SES. When fully implemented, that system will increase the basic pay rate for members of the SES from \$134,000 to \$157,000.

Senator George Voinovich introduced legislation originally proposed by Senator Fred Thompson to simplify and rationalize ethics regulations applicable to all senior federal employees, including incoming Presidential appointees.

OPERATIONAL EFFECTIVENESS IN GOVERNMENT

The Commission testified in support of its pay recommendations at three Congressional hearings in 2003. It specifically testified in support of the SES reforms which were adopted, in support of the DoD authorities which were adopted, in support of the new GAO pay authorities which will soon be adopted and in support of instituting a modern, performance based system at DHS, the regulations for which will soon be issued.

In addition, Congress authorized a government-wide performance-based bonus fund and provided sufficient funding to design the program.

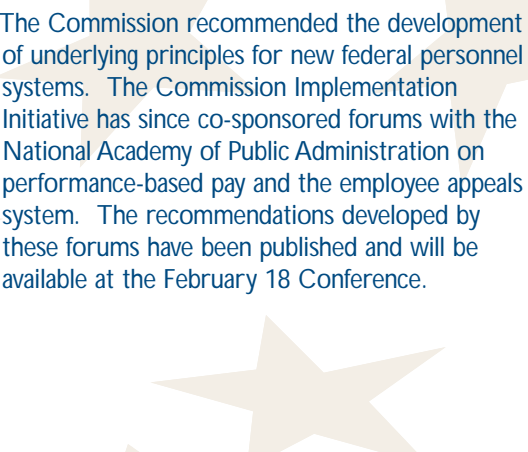
These new flexibilities at DHS and DoD, and similar ones available to federal organizations such as GAO, IRS, FAA, FDIC, SEC, NASA and others, mean that more than half of all federal civilian employees will be working under federal HR laws and regulations that are significantly more flexible and responsive to modern organizational needs than those available to the rest of the government. This includes alternative approaches such as replacement of the General Schedule and classification system with pay banding, a significant new emphasis on performance, including performance-based compensation systems, improved appeals processes and new recruitment and hiring authorities. For example, the NASA flexibilities will allow that agency to pay recruitment, redesignation, relocation and retention bonuses; to develop a program to give science and technology scholarships to students in exchange for their commitment to NASA upon graduation; to appoint distinguished scholars as NASA employees; and to provide superior qualifications pay to eligible employees.

Prior to actually releasing its recommendations, the Commission testified in support of legislation authored by Senators Daniel Akaka and George Voinovich and OPM initiatives to improve recruitment and other personnel practices.

Additional legislative initiatives and executive incentives have enhanced the government's ability to attract and retain a high-quality workforce. Mid-career hiring will be enhanced by the changes recently proposed through regulation by OPM for the Presidential Management Intern program. The name of the program has been changed to the Presidential Management Fellows Program.



PROGRESS MADE ON IMPLEMENTATION STRATEGIES

- The Commission urged that its recommendations be pursued by coalition of private non-profit organizations designed to spearhead reform. Subsequently, the Commission Implementation Initiative has partnered with the National Academy of Public Administration, the Center for Public Service at the Brookings Institution—which initiated the Commission—and Conference cosponsors, the Council for Excellence in Government and the Partnership for Public Service.
 - The Commission recommended the development of underlying principles for new federal personnel systems. The Commission Implementation Initiative has since co-sponsored forums with the National Academy of Public Administration on performance-based pay and the employee appeals system. The recommendations developed by these forums have been published and will be available at the February 18 Conference.
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